CANADA STUDENT LOANS PROGRAM

Review of the Government of Canada's Student Financial Assistance Programs

Loan Year 1996-1997

Human Resources Development Canada
Développement des ressources humaines Canada

Canada

HRIC-025-10-99

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Table of Contents

Foreword

I am pleased to present to all Canadians the Review of the Government of Canada's Student Financial Assistance Programs 1996-97.

For individual Canadians, knowledge and skills offer hope and opportunity – the prospect of better jobs and a higher standard of living. That is why the Government of Canada is committed to ensuring education is affordable and accessible to all Canadians.

Financial assistance for students at the post-secondary level has been a responsibility shared by the Government of Canada and the provincial and territorial governments for almost 40 years. Each year, over 300,000 Canadian students benefit from the Canada Student Loans Program. The Government of Canada indirectly assists an additional 170,000 students through payments made to Quebec, Nunavut and the Northwest Territories, which offer similar programs.

Over recent years, the Canada Student Loans Program has been enriched in many ways, including the introduction of Canada Study Grants and Debt Reduction in Repayment, and the enhancement of Interest Relief. The Government of Canada also created the Canada Millennium Scholarship Foundation, a $2.5 billion fund designed to provide, over the next ten years, more than $300 million per year in scholarships to students.

As the world economy continues to switch from an economic base to a knowledge-based economy, the prospects for a higher quality of life will depend, as never before, on having a population that is adaptable, resilient and ready to learn

throughout life. By helping Canadians obtain the education and skills they need, the Government of Canada is investing in our country's future.

It remains our commitment to work with provincial and territorial governments and other stakeholders to improve accessibility to the Canada Student Loans Program. By doing this, we will unlock the vast potential of this country's greatest resource, its citizens.

Jane Stewart, P.C., M.P.
Minister of Human Resources Development Canada

Why Student Assistance?

The Government of Canada strives to create economic conditions in which all Canadians can prosper. In the modern knowledge-based economy, one of the preconditions to economic growth is the presence of a highly educated workforce.

Economic success is closely linked to educational attainment. Compared to people with high school diplomas, graduates of university and college programs have higher incomes and lower unemployment rates throughout their lifetimes.

While the benefits of post-secondary education are substantial, so too are the costs. Apart from the cost of tuition and books, full-time students must also find money to house, clothe and feed themselves. This can easily bring the total cost of a year of full-time studies at university, college or private career college to $10,000 or more.

This is more money than many students and their families can afford unaided. Without government student loan programs, financial institutions would not lend to young Canadians. This is partly because the young rarely have significant assets of their own to use as collateral, and partly because the goods students wish to purchase – education – have no direct collateral value. So government intervention in the loan market is key to keeping education accessible to all.

The Government of Canada has another very good reason to be involved in student assistance; namely, to ensure that students have the right of mobility between provinces. Unlike some

provincial student loan programs, Canada Student Loans are fully portable throughout Canada.

To date, the Program has been successful in meeting the needs of its clients. Canada continues to have a very high rate of post-secondary access. Despite recent increases in education costs, there does not appear to have been a measurable drop in the participation rate of low-income Canadians in post-secondary education. And the proportion of CSL recipients who cross provincial borders to attend school is virtually the same as for the population as a whole – about 7 per cent.

A History of Federal Involvement in Student Assistance

The Government of Canada has been helping Canadians gain access to post-secondary education since the end of the First World War. In November 1918, the Government of Canada authorized the granting of loans to a maximum of $500 to disabled veterans who wished to resume a course of study interrupted by war service. These loans were repayable after five years.

In 1939, the Government of Canada proposed the Dominion-Provincial Student Aid Program (DPSAP). Under this program, the federal government would provide matching grants to any province that established a program of assistance to students based on academic merit and financial need. Prior to this, no province had yet established its own student assistance scheme. By 1944, all provinces had joined the scheme; however, it differed in detail considerably from jurisdiction to jurisdiction. Some provinces provided their aid in the form of loans, others in the form of non-repayable grants. The DPSAP remained the foundation of student financial aid across the country until it was replaced by the Canada Student Loans Program (CSLP) in 1964.

The CSLP, like its predecessor, was designed to provide Canadians with equal opportunity to pursue their studies beyond the secondary level. Under this program, banks and credit unions made loans to students in amounts determined by the federal government according to a standard assessment of student need. These loans were guaranteed by the Government

of Canada in case of death or default. The general administration of the program was placed in the hands of provincial governments which, in addition, provided a significant amount of student aid of their own. Quebec and the Northwest Territories have chosen not to participate in the Program, and as a result receive an alternative payment to assist in paying the cost of operating a similar program. Apart from a reform in 1983 that saw the introduction on the Interest-Relief Plan and part-time student loans, the basic elements of the Program remained unchanged for nearly 30 years.

By the early 1990s, however, the old CSLP structure needed to be revised in some areas. In 1994, a new arrangement between the Government of Canada and participating jurisdictions was introduced. During the same year, the weekly loan limit of $105/week (which had remained frozen since 1984) was raised to $165/week in order to reflect cost increases over the previous decade. At the same time, need assessment was revised to take account of different circumstances in different provinces.

Nineteen ninety-four also saw the first awards of "Special Opportunities Grants." This program, first designed for students with disabilities and later expanded to include high-need part-time students and women in certain doctoral disciplines, provides non-repayable grant aid to students with very high need. In 1998, students with dependants also became eligible for these grants, which were re-named "Canada Study Grants."

Another major change came in 1995 when a new arrangement with financial institutions was negotiated. Instead of continuing to guarantee Canada Student Loans, the Government of Canada began to pay participating financial institutions a "risk premium" of 5 per cent of the value of loans consolidated every year.

By 1997, there was growing public concern regarding the increase in student debt. The increase was due above all to three factors: rising tuition, higher loan limits, and the move by some provinces to replace their non-repayable grant programs with loan programs. In response to these three trends, the Government of Canada introduced the Canadian Opportunities Strategy, the largest-ever federal investment in access to post-secondary education. Among the important elements of this strategy was the introduction of the Debt Reduction in Repayment measure. For the first time, the Government of Canada provided for the remission of student debt in cases where the borrower has been unable to repay his or her loans due to a combination of high debt and low income over a long period of time.

The Canada Student Loans Program

This document describes the Canada Student Loans Program (CSLP) as it existed in the 1996-97 loan year, and focuses mainly on the Program as it applies to full-time students. Significant changes have been made to the Program since that time, arising from government initiatives contained in the 1997 and 1998 federal budgets. Where changes have occurred in the Program, they are indicated by boxed text. A concise description of the recent changes may be found in the section Renewal.

Introduction

The Government of Canada has two major groups of partners in the delivery of student loans: provincial and territorial governments and financial institutions. Both provide assistance in administering and delivering student aid across the country. This allows the Government of Canada to meet its commitment to students in an efficient and cost-effective manner.

The partnership with provinces and territories

The partnership with the provinces and territories has two aspects. The first is the determination of need assessment. The Government of Canada and participating jurisdictions work together to develop common need assessment criteria for the provincial and federal assistance programs. This makes it possible for provincial and territorial authorities to process applications for both CSL and provincial student aid at the

same time. The federal government pays the provinces and territories a fee to compensate them for administering the federal program in their jurisdiction.

Not all provinces and territories have chosen to be a part of the CSLP. The Canada Student Financial Assistance Act allows jurisdictions to establish their own wholly administered program and receive alternative payment from the Government of Canada. Jurisdictions choosing this option may then use the payment to fund their own student assistance measures, which are to be substantially the same as the federal program. Quebec and the Northwest Territories are the only two jurisdictions that have chosen alternative payments over direct participation in the CSLP.

The second aspect is the allocation of responsibilities in meeting students' needs. Since 1994, the federal government has been covering 60 per cent of students' assessed needs up to a maximum of $165 per week of study through a Canada Student Loan (which, in some circumstances were supplemented by a Special Opportunity Grant, or SOG). Each province has its own method of determining if and to which extent students' remaining financial need will be met, but in most provinces students are able to receive at least another $110/week from their provincial assistance program.

The partnership with financial institutions

The second partnership is with participating financial institutions. The CSLP does not provide loans to students directly. Instead, financial institutions who have chosen to participate in the Program by entering into a financing arrangement with the

Government of Canada, disburse loans to student borrowers. Once a student obtains an eligibility certificate from the provincial authority, he or she may present it to one of the participating financial institutions, which must then provide the loan. The financial institution may not refuse a loan to any student with a valid certificate. Thus, although student loan money is "private" in the sense that it comes from a bank or a credit union, all decisions relating to access to this money remain firmly in the public sphere.

The partnership with financial institutions has undergone a major change. Before August 1, 1995, loans made by financial institutions to students under the CSLP were fully guaranteed by the Government of Canada. This meant that the federal government had to assume financial responsibility for any loans that students did not repay.

Effective August 1, 1995, a new system of student loan financing was introduced. Under the new model, the federal government no longer guarantees Canada Student Loans once the loan enters repayment. Instead, participating financial institutions are paid a "risk premium" of 5 per cent of loans that go into repayment each year. Recovery of loans in repayment issued after August 1, 1995, is entirely the responsibility of the participating financial institution that issued them. Loans made prior to August 1, 1995, continue to be guaranteed by the Government of Canada.

Total Borrowing

In 1996-97, 365,680 students made use of the Canada Student Loans Program (CSLP) to borrow a total of $1.52 billion – an average of $4,144 per student. Most borrowers receive a provincial loan as well as a federal loan. Although circumstances vary significantly between provinces, a $4,144 CSL implies that a student also has a provincial loan worth $2,763, for a combined federal-provincial loan of $6,907. The total number of borrowers is higher than in 1995-96, and the overall number of borrowers has been steadily increasing during the 1990s.

At the university level, just under 40 per cent of full-time students borrow in any given year. However, according to data from the 1992 graduates survey (Class of 1990 Supplementary Table I-9, National Graduate Survey, Statistics Canada), over 55 per cent of university students borrow at some point in their university career. This difference is accounted for by the fact that not all borrowers borrow in each of their years of study. At the college level, the proportion of borrowers in any given year is slightly higher – almost 50 per cent.

By Gender

The proportion of female borrowers has been steadily increasing throughout the 1990s. This mirrors the overall trend in enrolments towards majority female participation in post-secondary education, especially at the undergraduate level.

1994-95
172,658 male borrowers; 143,261 female borrowers
1995-96
180,810 male borrowers; 147,957 female borrowers
1996-97
199,118 male borrowers, 166,564 female borrowers
Source: CSLP Research database

For most of the 1990s, women have on average borrowed less than men, in part because of the higher concentration of men in the high-cost career college sector. In 1996-97, the average level of women's borrowing passed that of men, likely because of a shift in the educational profile of female borrowers; 1996-97 saw a smaller percentage of female borrowers in lower-cost university and college programs and a greater percentage in higher-cost private training institutions.

Average Borrowing
1994-95
3,734 males borrowed an average of 3750 dollars each.
3,612 females borrowed an average of 3600 dollars each.
1995-96
3,858 males borrowed an average of 3800 dollars each.
3,747 females borrowed an average of 3700 dollars each.
1996-97
4,108 males borrowed an average of 4100 dollars each.
4,174 females borrowed an average of 4175 dollars each.
Source: CSLP Research Database

By Province

The following describes the number and percentage of full-time undergraduate students receiving Canada Student Loans (CSL) in each province. Most provinces have seen no significant change in the numbers of full-time undergraduates receiving student assistance in the past three years. Between 1994 and 1997, Newfoundland has seen its student aid population rise by over a third. Eighty-five per cent of Newfoundland's substantial increase has been in the private training sector, with the balance coming from the community colleges.

Number of CSLP Borrowers by Province		
YK	1994-95: 268	Percentage of total: .08
	1995-96: 260	Percentage of total: .08
	1996-97: 252	Percentage of total: .07
BC	1994-95: 38,532	Percentage of total: 12.19
	1995-96: 41,989	Percentage of total: 12.77
	1996-97: 45,879	Percentage of total: 12.55
AB	1994-95: 34,413	Percentage of total: 10.89
	1995-96: 37,975	Percentage of total: 11.55
	1996-97: 40,362	Percentage of total: 11.04
SK	1994-95: 14,507	Percentage of total: 4.59
	1995-96: 14,337	Percentage of total: 4.36
	1996-97: 15,007	Percentage of total: 4.10

MB	1994-95: 9,535	Percentage of total: 3.02
	1995-96: 9,339	Percentage of total: 2.84
	1996-97: 13,878	Percentage of total: 3.80
ON	1994-95: 178,152	Percentage of total: 56.39
	1995-96: 182,860	Percentage of total: 55.62
	1996-97: 196,458	Percentage of total: 53.72
NB	1994-95: 12,182	Percentage of total: 3.86
	1995-96: 11,407	Percentage of total: 3.47
	1996-97: 14,432	Percentage of total: 3.95
NS	1994-95: 13,501	Percentage of total: 4.27
	1995-96: 14,097	Percentage of total: 4.29
	1996-97: 16,991	Percentage of total: 4.65
PE	1994-95: 2,103	Percentage of total: .67
	1995-96: 2,231	Percentage of total: .68
	1996-97: 2,434	Percentage of total: .67
NF	1994-95: 12,726	Percentage of total: 4.03
	1995-96: 14,272	Percentage of total: 4.34
	1996-97: 19,987	Percentage of total: 5.47
CAN		
	1994-95: 315,919	
	1995-96: 328,767	
	1996-97: 365,680	
	Percentage of total: 100 per cent	

Source: CSLP Research Database

Average CSL Disbursement by Province shows changes in average CSL borrowing by jurisdiction. While the general trend is for student borrowing to rise, this does not happen in all jurisdictions in all years. Manitoba, for instance, saw a drop of over 35 per cent in average amounts of CSL borrowed in 1996-97 compared to 1995-96.

Average CSL Disbursement by Province			
YK	1994-95: $3,395	1995-96: $4,031	1996-97:$4,067
BC	1994-95: $4,336	1995-96: $4,351	1996-97: $4,371
AB	1994-95: $3,400	1995-96: $3,606	1996-97: $3,647
SK	1994-95: $3,658	1995-96: $3,718	1996-97: $3,897
MB	1994-95: $3,456	1995-96: $3,734	1996-97: $2,441
ON	1994-95: $3,703	1995-96: $3,828	1996-97: $4,450
NB	1994-95: $3,308	1995-96: $3,437	1996-97: $3,872
NS	1994-95: $3,375	1995-96: $3,422	1996-97: $3,256
PE	1994-95: $2,956	1995-96: $3,232	1996-97: $3,643
NF	1994-95: $2,803	1995-96: $3,136	1996-97: $3,994
Source: CSLP Research Database			

By Type of Institution

The proportion of borrowers studying at the university level has been slowly decreasing over the course of the decade, from just above 55 per cent of all CSL borrowers in 1992-1993, to about 48 per cent in 1996-1997. The proportion of borrowers studying in the community college sector has remained basically steady over this period, while the proportion of borrowers studying in private vocational institutions has jumped from 12 to 21 per cent from 1992-1993 to 1996-1997. This change in proportions is almost entirely due to growth in the private sector, rather than to a decline in university and community college participation.

Number of students borrowing by type of institution
1994-95 University: 165,969 College: 110,215 Private: 39,375
1995-96 University: 166,529 College: 114,733 Private: 47,505
1996-97 University: 181,111 College: 122,647 Private: 61,924
Source: CSLP Research Database

The cause of the rapid increase in the number of borrowers from private sector's educational institutions is unknown, but it has important implications for the Program. Annual borrowing among students in the private college sector is significantly higher than among students in universities and colleges, due to higher tuition costs. If this shift of clients from public to private sector institutions continues, it will impose additional costs on the Program.

Institution Type – Average Amount borrowed ($)		
University		
1994-95: 3,762	1995-96: 3,892	1996-97: 4,042
7.4 % increase		
College		
1994-95: 3,277	1995-96: 3,350	1996-97: 3,779
15.9 % increase		
Private		
1994-95: 4,357	1995-96: 4,544	1996-97: 5,127
17.7 % increase		
Source: CSLP Research Database		

The number of CSLP recipients in university is declining only in relation to other recipients – the actual number of university students in receipt of CSL assistance is more or less unchanged over the past few years. The university numbers are consistent with other data showing that total full-time university enrolments have been stable for most of this decade.

The Effect of Subsidies

Federal and provincial student assistance programs play an important role in limiting student indebtedness. Take for instance the case of three students who each need to borrow $6,000 a year for four years of study, with interest at 9 per cent throughout.

Student One does not borrow from the government, but instead from a private lending program. The student must pay interest on outstanding loans while in school and, upon completion of studies, must repay the entire amount with no outside assistance. The total cost of this loan, including interest payments, is $41,883.

Student Two borrows from the CSLP and a provincial program. During four years of study, the federal and provincial governments pay out a combined total of $5,400 in interest payments under the in-school interest subsidy, a subsidy worth 13 per cent of the total value of the loan. Repaying $24,000 over 10 years means interest charges of $12,320. With the 1998 introduction of a tax credit for interest paid on government student loans, student Two will also benefit from a $3183 reduction on taxes over those ten years. This sum represents about 8 per cent of the total value of the loan.

Student Three borrows from the CSLP and a provincial program and receives the in-school interest subsidy in the same manner of student two. However, student three is not able to begin repayments immediately and receives eight months of Interest Relief from the federal and provincial governments. This subsidy is worth $1,440 dollars, or about 3 per cent of the value of the

loan. After the first eight months, student three begins a 120-month repayment, and receives the interest tax-credit in the same manner as student two. All told, student three receives $10,023 in subsidies – or 24 per cent of the total value of the loan – from the federal and provincial governments.

In many provinces, provincial student assistance programs also provide remission on student loans. In those provinces, the real value of the government subsidy on student loans can be much greater than the amounts shown here.

Is CSLP meeting students' need?

In a recent survey connected with CSLP program evaluation, 78 per cent of student borrowers stated they would not have enrolled if they had not received a student loan. This implies that without the Canada Student Loans Program, 122,000 Canadians each year would be unable to begin a program of studies.

Evidence indicates that students in the Program are able to finish their education without interruption. In a recent technical study of persistence among CSLP recipients (Technical Reports, Evaluation of the Canada Student Loans Program, Evaluation and Data Development, Strategic Policy, Human Resources Development Canada, 1997), it was discovered that fewer than 11 per cent of borrowers quit within the first year of study, and of those who persisted, fewer than 13 per cent had abandoned post-secondary study two years later. Of those students who abandoned their studies, fewer than 20 per cent cited financial need as the reason for their decision.

There are no studies that describe the characteristics of people who are currently willing to attend PSE but are deterred from doing so because of cost (even if they are eligible for CSLP), so it is impossible to ascertain how many people the Program is not able to help. For instance, in 1996-97, 27 per cent of all borrowers were borrowing the maximum amount possible under the Program, an increase from 19 per cent the previous year. The CSLP program evaluation found nearly half of all borrowers in private colleges described their loans as being inadequate. (Technical Reports. Evaluation of the Canada Student Loans Program, Evaluation and Data Development, Strategic Policy, Human Resources Development Canada, 1997)

In the 1998 Budget, the Government of Canada addressed the issue of unmet need through the introduction of Canada Study Grants for Students with Dependants. This non-repayable award provides up to $60/week in assistance to students with dependants with assessed need in excess of $275/week.

Accountability

CSLP expenditures, by fiscal year beginning each April 1 (in $ millions)

Claims Paid
1992-93: 175.8
1993-94: 151.2
1994-95: 201.7
1995-96: 437.2
1996-97: 379.4

Claims paid refers to money paid by the Government of Canada to financial institutions on loans that had gone into default under the pre-1995 guaranteed loan system. It also covers the cost of guaranteeing loans to minors, and for defaults that occur due to the borrowers' death or disability. The cost of claims will decline in future as the new risk-sharing program matures and the number of guaranteed loans in repayment declines.

The value and number of claims rose over the decade, in line with increasing student debt and repayment difficulties. Note that the figures reflect when claims were paid, not when defaults occurred. The extraordinary rise in claims expenditures in 1995-96, for instance, is not a sign of great student distress in that year. Rather, it reflects the government clearing of a backlog of claims at the time that the new risk-premium agreements were signed with participating financial institutions.

Interest Subsidy
1992-93: 195.1
1993-94: 230.1
1994-95: 193.5
1995-96: 193.3
1996-97: 160.8

Interest subsidy and Interest relief are expenditures whose size is determined by a combination of the participation rate and interest rates. The progressive lowering of interest rates over the course of this decade has offset the large increase in program participation, thus keeping overall expenditures in these two categories roughly stable over time. The tripling of interest relief expenditures in 1996-97 reflects the expansion of eligibility criteria introduced in 1995.

Alternative Payments
1992-93: 86.7
1993-94: 72.8
1994-95: 93.8
1995-96: 164.4
1996-97: 95.9

Alternative payments to Quebec and the Northwest Territories are calculated as a fraction of other program expenditures. Thus, as claims, participation and interest rates rise and fall, so does the alternative payment. The fraction itself does not remain constant, since it is also partially dependent on the relative sizes of each jurisdiction's youth population.

Collection Costs
1992-93: 23.4
1993-94: 22.3
1994-95: 20.8
1995-96: 18.9
1996-97: 28.6

Collection costs: Once the Government of Canada has paid a claim, it takes responsibility for collecting from the borrower. This usually involves sending the loan to a collection agency.

Interest Relief
1992-93: 13.5
1993-94: 18.5
1994-95: 15.1
1995-96: 17.5
1996-97: 24.4

Loans Forgiven
1992-93: 4.0
1993-94: 4.2
1994-95: 4.3
1995-96: 5.1
1996-97: 3.1

Loans forgiven represents those loans for which the government pays the full amount of an outstanding loan to a participating financial institution. This applies in cases where the borrower has died or has become disabled to the extent that loans cannot be repaid without undue hardship.

Risk Premium
1992-93: 0.0
1993-94: 0.0
1994-95: 0.0
1995-96: 0.2
1996-97: 29.4

Risk Premium: Subject to the provisions of the contract with lender(s), the government pays to the lender(s) a risk premium based on the value of loans consolidated for repayment in that year.

S.O.G.s
1992-93: 0.0
1993-94: 0.0
1994-95: 0.0
1995-96: 7.8
1996-97: 12.4

Admin. Fees
1992-93: 0.0
1993-94: 0.0
1994-95: 0.0
1995-96: 0.0
1996-97: 9.1

Administrative Fees: Pursuant to the Canada Student Financial Assistance Act, the Government of Canada has entered into arrangements with participating provinces to facilitate the administration of the CSLP. Fees to provinces are calculated on the basis of a basic operating cost and a per-certificate component. In addition, funds are available to fund joint federal-provincial initiatives.

Total Expenditures
1992-93: 498.5
1993-94: 499.2
1994-95: 529.2
1995-96: 844.5
1996-97: 743.0

Recoveries
1992-93: 99.8
1993-94: 107.7
1994-95: 103.5
1995-96: 111.0
1996-97: 173.9

Recoveries represents government revenue from collections on loans on which claims had previously been paid. The government may also garnish income-tax refunds from borrowers who have previously defaulted on their loan and have not yet made alternative repayment arrangements. This revenue is reported separately as set-offs from income tax.

Set-Offs from Income Tax
1992-93: 23.0
1993-94: 18.7
1994-95: 16.9
1995-96: 17.1
1996-97: 20.0

Total Recoveries
1992-93: 122.8
1993-94: 126.4
1994-95: 120.3
1995-96: 128.0
1996-97: 194.0

Guarantee Fees
1992-93: 25.5
1993-94: 3.2
1994-95: 0.0
1995-96: 0.0
1996-97: 0.0

Total Revenues
1992-93: 148.3
1993-94: 129.5
1994-95: 120.3
1995-96: 128.0
1996-97: 194.0

Net Expenditures
1992-93: 350.2
1993-94: 369.7
1994-95: 408.9
1995-96: 716.5
1996-97: 549.0

Student Loan Defaults

Within the context of the Canada Student Loan, the term "default" refers to the status of loans issued under the old guaranteed loan program that have not been paid in full, and for which a financial institution has submitted a claim to the Government of Canada for reimbursement under the guarantee. This is different from "bankruptcy", which is a specific legal process that must be initiated by the borrower, according to the terms of the Bankruptcy and Insolvency Act.

Defaults on the guaranteed student loan portfolio have been rising steadily for several years, reaching a value of nearly $220 million in 1996-97. However, a defaulted loan is not simply written off. Once a loan has been submitted by a bank or credit union to the Government of Canada under the loan guarantee provisions, the loan belongs to the Government of Canada, which may take steps to recover the loan on its own. This recovery may either be undertaken by a collection agency or by the government using the income tax system to withhold any refunds available to individuals with outstanding loans. In 1996-97, recoveries on defaulted student loans (minus collection agency costs) rose to $145.3 million, the highest figure ever.

Defaults are, to an extent, a sign of economic distress among borrowers. As average debt rises while incomes stay stable, increasing numbers of students have debt-to-income ratios high enough to make steady repayment difficult. An econometric analysis of CSL defaulters done in connection with the Program evaluation has shown that every increase of $1,000 in post-school annual earnings decreases the average default rate by 1.5 percentage points. (Technical Reports. Evaluation of the Canada Student Loans Program, Evaluation and Data Development, Strategic Policy, Human Resources Development Canada, 1997)

However, there seem to be other determinants of defaults whose causes are less clear. For instance, even holding income constant, the default rates among graduates of community colleges are 15 percentage points higher than among university graduates; the figure for private colleges is 25 percentage points higher.

There is also evidence that the behaviour of financial institutions may also influence default. The default rate for borrowers at smaller financial institutions (such as credit unions) was nearly 14 percentage points lower than that of the major bank with the highest default rate. A 1997 survey (Technical Reports. Evaluation of the Canada Student Loans Program, Evaluation and Data Development, Strategic Policy, Human Resources Development Canada, 1997) of CSL defaulters showed that 52 per cent of respondents only discovered they were considered to have defaulted when they were contacted by a collection agency. Moreover, nearly a third said they were completely surprised when they learned of their status.

These statistics lend credence to the view that the pre-1995 system of loan guarantees provided little encouragement for financial institutions to do more than the minimum before making a claim to the federal government. This was a consideration for the 1995 program change that replaced the guarantee with a system of risk premium.

Renewal

In the past few years, there has been heightened public awareness of the importance of student assistance, and growing concern about the total amounts of debt that students were incurring in order to complete their studies. In consultation with key stakeholder groups, including students, the Government of Canada showed its strong commitment to accessibility and the CSLP through its education-related proposals in the past two federal budgets.

The 1997 Federal Budget

In its 1997 Budget, the Government of Canada enhanced the CSLP by extending borrowers' period of eligibility for Interest Relief from 18 to 30 months. This significantly improved the protection available to borrowers paying loans while making their way into the labour market.

The Government of Canada also introduced four other significant measures to assist students and make education more affordable:

- The tuition tax credit was expanded to include university or ancillary fees. Previously, only that portion of a student's fees that were specifically labelled as "tuition" were eligible. However, with the proliferation of ancillary fees at many universities – in some cases, in excess of $500/year – this change extended the coverage of this tax credit significantly.

- The education tax credit, previously set at $100/month per month of full-time study, was increased to $150/month for 1997 and $200/month in 1998 and thereafter.

- The education and tax credits were altered so as to allow students to carry their value forward indefinitely. Previously, students would lose the credits when their income was too low to require the full value of the credits to reduce their tax payable to zero, and when they did not or could not transfer the value of these credits to a parent, guardian or spouse. With this new provision, students in this position may now carry forward these credits until their taxable income rises enough for them to be used.

- Registered Education Savings Plans (RESPs) were improved in a number of ways. Annual contribution maximums were increased to $4,000 annually. The old provision stipulating the forfeiture of any interest/capital gains if the designated beneficiary chose not to pursue post-secondary education was repealed. Now, if the beneficiary does not pursue post-secondary education, the contributor may roll over the interest/capital gains into any unused RRSP he or she might have. Alternatively, the contributor may claim the interest/capital gains as income in the year the RESP expires, subject to a 20 per cent penalty on top of regular income tax.

The 1998 Federal Budget

Access to education was the centrepiece of the 1998 Budget, reflecting the government's belief that the widest possible access to education is an important means to promote economic growth and reduce income disparities. The package of measures introduced in this budget, collectively known as the "**Canadian Opportunities Strategy**", included the following changes to the CSLP:

- A new Canada Study Grant was created for students with dependants. It provides additional grant aid for students with dependants with assessed need of over $275/week. Students with one or two dependants are eligible for up to $40/week in grant aid (covering need between $276 to $315/week). Students with three or more dependants are eligible for up to $60/week in grant aid (covering need between $276 to $335/week).

- The Interest Relief plan was enhanced. The income thresholds used to qualify for interest relief were raised by 9 per cent in 1998. The 30 months of eligibility is now available throughout the life of the loan, and not just for the first five years, as was previously the case.

- The Interest Relief plan was also extended in duration. Students who exhaust 30 months of interest relief will be asked to extend the repayment period of their loans from 10 to 15 years, thus reducing the monthly payment. If this reduction is still not sufficient to allow them to repay their loans in good order, Interest Relief will be extended to 54 months during the five years after their leaving school.

- A new Debt Reduction in Repayment (DRR) program was introduced, effective August 1, 1998, for that small minority of students who still remain in financial difficulty after interest relief has been exhausted. The new DRR grant will pay down the debt of those borrowers who have exhausted interest relief and have very high debt-to-income ratios. The maximum amount of assistance will be the lesser of 50 per cent of the loan amount or $10,000.

- In order to improve the integrity of the Program the Government of Canada announced that it would tighten eligibility on student assistance to deny CSL to students with a history of credit abuse. Under new regulations, students over the age of 22 with three instances of credit abuse (defined as being in arrears in payments for 90 days or more on debts of $1,000 or more) in the past three years will be ineligible for CSL assistance. Students will not be denied assistance if it can be shown that circumstances beyond their control led to their poor credit history.

- Changes to bankruptcy legislation have also been made that will ensure that student loans survive bankruptcy for 10 years following the completion of studies. This reflects the new measures that have been put in place to help graduates in financial hardship and which should make bankruptcy unnecessary.

- The Government of Canada is also committed to working with participating jurisdictions to create a greater degree of harmonization between the Canada Student Loans Program and provincial financial assistance programs. Harmonization will result in a single loan product for student borrowers in participating provinces.

- Steps will also be taken to improve communications with student borrowers.

The Canada Opportunities Strategy also had a number of measures not related to the CSLP, but will still have a considerable effect on access to higher education.

- The Canada Millennium Scholarship Foundation was created and given a $2.5 billion initial endowment. This arms-length foundation will draw down the endowment over ten years in order to provide $300 million worth of scholarships annually to full-time students who demonstrate both financial need and merit. This is the single largest investment ever made by the Government of Canada to support access to knowledge and skills. Consultations are currently under way to determine the exact criteria for the scholarships and how they will be integrated with existing student assistance programs. The first scholarships will be available in September 2000.

- Tax relief was provided for students repaying their student loans. From 1998 onwards, individuals in repayment may claim a tax credit of 17 per cent on interest paid on government student loans.

- Tax relief was also provided for part-time students. As of 1998, part-time students will be eligible for a $60 month credit for every month they spend in part-time studies. Also, the child care expense deduction introduced for full-time students in 1996, has been extended to include part-time students.

- Changes in RRSP legislation were tabled allowing Canadians to withdraw money tax-free from their RRSPs for the purpose of lifelong learning. In order to give individuals greater access to funds for retraining, withdrawals from RRSPs for education will be treated on a basis similar to RRSP withdrawals for first-time home buyers. Up to $10,000 may be withdrawn from an RRSP per year of full-time study, up to a total of $20,000 over a maximum of four years. The full amount must be repaid to the RRSP within ten years.

- The attractiveness of RESPs as an investment vehicle was enhanced through the introduction of the Canada Education Savings Grant (CESG). The Government of Canada now provides a matching grant of 20 per cent on the first $2,000 of contributions (maximum $400) made to RESPs for beneficiaries up to the age of 18. This grant contribution room may be carried forward, thus allowing a family that has been unable to make contributions for one or more years to catch up in later years for missed contributions.

Annex 1

Obtaining, Maintaining and Repaying a Canada Student Loan

Note: unless otherwise specified, the descriptions of the Canada Student Loans Program are valid only for the 1996-1997 loan year.

Applying for, Receiving and Repaying a Canada Student Loan

Who is Eligible for Canada Student Loans?

To qualify for a Canada Student Loan a student must:

- be a Canadian citizen or permanent resident;
- be enrolled in a designated educational institution in a program leading to a degree, diploma or certificate of at least 12 weeks in duration spread over a maximum of 15 weeks;
- be enrolled in courses amounting to at least 60 per cent of a full course load and maintain satisfactory standing (40 per cent if the student is considered to have a disability);
- be within the allowable period of studies for the degree, diploma, or certificate, which is equal to the normally specified completion period plus 1 year (e.g., 2 + 1 years for a diploma, 4 + 1 years for an undergraduate degree, etc.);
- not have exceeded the lifetime maximum for student aid eligibility – 520 weeks for students with a disability, 400 weeks for doctoral students, and 340 weeks for all other students.

Some part-time students are also eligible for loans under the CSLP part-time program.

Qualifying for a Canada Student Loan

The first step in getting a student loan is to obtain an application. These forms may be obtained at provincial government offices, universities and colleges, and most high schools. Some provinces also make the forms available through the World Wide Web. Once a form is submitted to the appropriate provincial authority, the student's need is assessed and an award determined.

The first step in assessing students' need is to determine their student category. For CSLP purposes, students fall into one of four categories:

Single Dependent Student. This category includes all students who have been out of secondary school for four years or fewer, unless they are married, or have children, or are without parents, guardians or sponsors, or have spent at least two full years in the labour force. Parents of students in this category are expected to contribute to the costs of their children's education whenever possible, and so a "parental contribution" will be assumed as part of the student's need assessment.

Single Independent Student. This category includes all single students without dependants who do not fit the description of dependant students, above.

Married Students. This category includes all students who are legally married or who are in a common-law relationships.

Spouses of students in this category are expected to make a contribution whenever possible in much the same fashion as parents of “dependent” students.

Single Parents. These students are treated much the same as independent students, only with higher allowable expenditures to accommodate the cost of raising children.

Next, the student’s costs must be assessed, including both education and living costs. Education costs include actual tuition, compulsory fees, books and supplies (up to a maximum of $3,000). Living costs are calculated according to a standard living allowance, which is determined according to average costs of food, shelter, transportation and a basket of other goods in each province.

Costs are also assessed according to living arrangements. Students **living at home,** whether they are classified as “dependent” or “independent,” are not considered to pay full cost for either food or shelter. Students living away from home are assessed as paying full cost. Students with dependants are given a supplementary allowance for food, shelter, clothing and other goods for each child.

Once costs are determined, a student’s resources are assessed. Students are asked to make contributions from their pre- and during-study earnings, as well as from any savings they may have. In some cases, they may also be asked to make contributions out of their existing assets (such as cars and RRSPs), if these items are valued over a certain amount. Dependent and married students must have their parents’ or spouses’ income assessed in order to determine the size of the parental/spousal contribution. The size of the parental and

spousal contributions will vary according to income and family size. Contributions also vary slightly by province of residence, in order to ensure equity between provinces with different levels of marginal taxation and different costs of living.

Once costs and resources have been calculated, the student's need is calculated by subtracting resources from cost. If resources exceed costs, then the student has no need and no aid is awarded. If costs exceed resources, the student has need and aid can be awarded.

Robert

Robert is a 19 year old from Guelph, Ontario who is beginning his first year of study at the University of Guelph. He lives at home with his younger sister and his parents, who earn a combined $80,000/year. He made $250/week at a summer job, but is not planning to work during the school year. He has $1,000 in savings to put towards his education.

Robert's assessed costs are $7,184. His assessed resources, including a parental contribution of $7,454, are $10,560. Since need equals costs minus resources, Robert has no assessed need and is thus ineligible for a loan. If Robert's costs increased – for instance, by his attending a school in another city in Ontario – then he would likely be eligible for a small loan.

Types of Aid and Maximum Levels

Canada Student Loans for full-time students

The basic type of aid provided by the federal government is a Canada Student Loan (CSL). Once total need is determined, the federal government will meet 60 per cent of that need, up to a maximum of $165/week, with a CSL. Students must show proof of actual enrolment in a designated educational institution before receiving their certificate.

Julie

Julie is a married 30-year-old Vancouver museum worker who is starting law school at the University of British Columbia. Her husband, Daniel, works 30 hours a week and makes $24,000/year. Julie made $600/week at a summer job she held for 13 weeks. They have no children. They own a six-year old car and have small amounts invested in RRSPs, but no other financial assets.

Julie and Daniel's combined costs are assessed at $17,509. Their resources, well over two-thirds of which come from Daniel's job, are assessed as $15,742. Their car and RRSPs are too low in value to count as resources. Julie is thus eligible for a loan of $1,767. CSL provides 60 per cent of this amount ($1,060), while the British Columbia Student Assistance Program provides the remainder ($707).

Paul

Paul, a 27 year old from Moncton, has quit his job as an assistant at a travel agency to enrol in graphic design and photography at the Nova Scotia College of Art and Design. He works through the summer before enrolling, and finds a part-time job in Halifax to supplement his income.

Paul's costs are assessed at $10,799. His resources from his pre-study income and his part-time job are assessed at $4,105. His parents' income and assets are not counted as assets because he has been out of secondary school for more than four years. His assessed need is therefore $6,694. CSL provides 60 per cent of this amount ($4,016), while Nova Scotia Student Loans provide the remainder ($2,678).

Canada Student Loans for part-time students

Students taking between 20 to 59 per cent of a full course load may be eligible for a part-time student loan. Need assessment is slightly different in this program, and loans are only made to a maximum of $4,000 in total outstanding principal. Unlike full-time CSLs, this maximum is not an annual figure but a limit on outstanding loans. As in the case with a personal line of credit, students may pay down some debt and then later be eligible for further assistance up to the maximum.

Special Opportunity Grants

Special Opportunity Grants (SOGs) are designed to help students with certain characteristics with very high needs. There are three types of Special Opportunity Grants:

SOG for students with disabilities. This need-based grant of up to $3,000/year is designed to offset the exceptional educational costs associated with permanent disabilities such as blindness, visual impairment, deafness, physical disability, learning disability, etc. Eligible costs include technical aids, note takers, tutors, interpreters and specialized transportation. Capital costs, including vehicle modifications and alterations for educational institutions, are not eligible. Students may receive grants under this program for as long as they remain eligible for loans. Assessment for this SOG takes place outside the regular need assessment process. In the 1998 federal budget, the maximum annual award available from this grant was increased from $3,000 to $5,000.

SOG for women doctoral students. This grant of up to $3,000/year is designed to expand women's participation in disciplines in which they are traditionally under-represented (defined as disciplines in which women's share of total national enrolments at the doctoral level have been below 35 per cent over the past three years such as Aerospace Sciences and Mathematics). Students must demonstrate need and be enrolled in an eligible discipline in order to qualify for the award. Students may obtain this grant for a maximum of three years.

SOG for high-need part-time students. This grant of up to $1,200/year is designed to help part-time students who are unable to study full-time and whose income falls below a prescribed threshold.

In the 1998 federal budget, the Special Opportunity Grants were re-named Canada Study Grants (CSGs), and a new CSG was added for students with dependants. The CSG for students with dependants provides additional grant aid for those students in this category with assessed need over $275/week. Students with one or two dependants are eligible for up to $40/week in grant aid (covering need between $276 to $315/week). Students with three or more dependants are eligible for up to $60/week in grant aid (covering need between $276 to $335/week) to a maximum of $3,120. This grant is available to part-time students in addition of the $4,000 in aid they may receive under the part-time student loan program.

Michelle

Michelle, a 22-year old single mother from Saskatoon, has decided to attend a local community college. In the pre-study period, she earned $400/week and intends to work part-time during the school year, earning $150/week to supplement her income. She has sole custody of the child, and pays $85/week for child care.

Michelle's assessed costs are $15,031. Her assessed resources are $3,151. Since need equals costs minus resources, her assessed need is $11,080. This means she is eligible for the maximum Canada Student Loan of $5,610 ($165/week x 34 weeks). In Saskatchewan, she will benefit from higher aid limits, and receive the remainder ($5,470) of her need from provincial loan sources. However, total aid limits differ from province to province and can be as low as $9,350 (federal aid of $5,610 and provincial aid of 3,740). In a low-aid province, Michelle's aid 1996-97 aid package might have been short of her needs by as much as $1,730.

As of 1998, the Government of Canada is making extra money available to students with dependants. A Canada Study Grant (CSG) of $40/week of study is available to students with 1 or 2 dependants, and a CSG of $60/week of study is available to students with 3 or more dependants. If Michelle began study in 1998, she would have received $5,610 in Canada Student Loans, $4,110 in Saskatchewan Student assistance and grants and $1,360 in Canada Study Grants.

In-School Measures

Applying or re-applying after first year

Students wishing to receive a CSL must complete a new application every year, because student costs and resources may change from year to year. This could be the result of changes in parental or spousal income, a change in income earned by the student during the summer or the school year, a change in the cost of tuition, or a change in other factors. A student may also change status from year to year; he or she may move away from home, have a child, get married, or switch from "dependent" to "independent" – all factors that can substantially change a student's assessed need.

Failure to apply for student assistance at the beginning of a program of studies does not affect later eligibility. Eligibility is always determined by the student's circumstances at the time an application is made.

In-school interest subsidy

In a normal commercial loan, interest begins accruing as soon as the borrower receives the money and monthly payments on interest and principal are also required. However, students receiving CSL assistance are, by definition, not in a position to make such payments.

Under the CSLP, the Government of Canada pays the interest on the borrower's student loan for as long as the student continues to be enrolled in full-time studies (this assistance is not available to students using the part-time loans). Provincial

student assistance programs offer similar subsidies. Upon completion of studies, the student's CSL debt is limited to the amount originally borrowed. Over four years of study, this subsidy can be worth several thousands of dollars per student. This represents a significant subsidy on the part of the Government of Canada, and is a major tool in limiting student debt.

Julie

Julie only borrowed $1,767 in her first year of study, but borrowed the maximum in her second and third years after her relationship with Daniel ended and his earnings no longer counted towards her resources. Her total borrowing over the three years was therefore $19,000. Had this been a normal loan requiring regular interest payments, Julie would have had to pay $153 in interest in her first year, $931 in her second year, and $1,710 during her third year. However, since the federal and provincial governments paid this interest to the financial institute on her behalf, she saved almost $2,800 in interest payments during her study. This reduced her total indebtedness at graduation by over 15 per cent.

Repayment

Grace period

Following the end of studies, many borrowers face a considerable period of low or unstable income as they make the sometimes difficult transition to the labour force. For this reason, students are not required to make payments on their student

loans for six months following the date when they cease to be enrolled in full-time studies. These six months are commonly known as the "grace period."

For loans issued prior to August 1993, no interest accrues during the grace period as the government continued to pay interest on the loans during this period in the same manner as for the in-school period. For loans issued since August 1993, the student is liable for interest that accrues on CSLs during this grace period.

Consolidating loans and negotiating repayment terms

Before the end of the six-month grace period, the borrower must consolidate his or her loans and begin repayment. Failure on the part of borrowers to do so results in the student's loan going into default.

At the time the loan is consolidated, a repayment schedule must be negotiated. Under the pre-1995 guaranteed loan program, students and lending institutions had little discretion over repayment terms, since a repayment period of 9.5 years (114 months) was the maximum available. One of the benefits of the risk-sharing arrangements entered into in 1995 was the additional flexibility it brought to the negotiation of repayment terms. Students and participating financial institutions now have more flexibility to negotiate longer terms of repayment and temporary increases or reductions in payments. However, since many students still have provincial loans that are of the old guarantee-type, the full benefits of the flexible model have not been felt. Because borrowers will tend to consolidate their loans on the same schedule for the sake of simplicity, many new, flexible loans are being consolidated on the old, less flexible schedule.

Michelle

At the end of her two-year program, Michelle's accumulated federal and provincial borrowing is $22,160. However, the province's loan remission program brings her debt back down to $12,580. Within six months of graduating, she goes to her lending institution to negotiate the terms of her loan. After reviewing the various repayment options, she chooses the loan repayment plan with a long repayment period – 114 months. She also chooses to pay interest at a rate of prime plus 2.5 per cent. This results in initial monthly payments of $164.56.

Repayment roles and responsibilities

Once the loan has been consolidated, the borrower must make regular monthly payments. Failure to do so can affect a borrower's credit rating and may result in disqualification from obtaining further student assistance. If a borrower goes into default on a guaranteed (i.e., pre-1995) loan, the financial institution may make a claim to the government for the outstanding balance of the loan. In such situations, the government then owns the debt and will attempt to recover the balance from the borrower using a collection agency. If the default occurs on a risk-shared loan (i.e., post-1995), the participating financial institution may initiate collection proceedings.

In the spring of 1997, amendments to the Bankruptcy and Insolvency Act went into effect, stipulating that no borrower could discharge a student loan through bankruptcy within 24

months of completing full-time studies. This was a measure designed to protect the integrity of the Program by ensuring that loans could not be discharged by people who were still eligible for assistance through the Interest Relief program. In 1998, as part of the Budget Implementation Act, the Bankruptcy and Insolvency Act was amended again in order to prevent the discharge of a student loan through bankruptcy proceedings within a 10-year period after the end of studies.

Interest Relief

The Government of Canada recognizes that some graduates undergo a period of low and/or unstable income lasting months (or in some cases years) as they make the sometimes difficult transition into the labour market. If no assistance were available to borrowers in this period of their lives, many would find themselves facing loan default, even though their long-term income prospects are very good.

For this reason, the CSLP provides assistance to borrowers with low post-study incomes who are experiencing undue hardship as a result of their student debt obligations. This is accomplished through the Interest Relief (IR) program. Under IR, the government reassumes responsibility for making interest payments on the outstanding loan, and no principal payments are made (the borrower is responsible for reconsolidating the loan once IR support ends). IR is granted for three months at a time, up to a 1996-97 maximum of 18 months. No IR aid is available if more than five years have elapsed since the latest period of study end-date.

IR is not given automatically; students must make an application for IR assistance, and must provide evidence (pay stubs, etc.) of their income.

In the 1997 federal budget, the IR eligibility period was increased from 18 to 30 months, within the initial five-year period.

In the 1998 federal budget, the five-year limit on IR was eliminated, and an additional 24 months of Interest Relief was made available to students experiencing significant hardship within the first 54 months of repayment. Eligibility for the IR program was also expanded significantly, such that the number of borrowers eligible is expected to triple. For those borrowers who exhaust Interest Relief, the 1998 budget introduced a new feature called "Debt Reduction in Repayment," or DRR. Under this program, borrowers who exhaust IR but still have very high levels of debt relative to income may be eligible for debt reduction. In these cases, the Government of Canada will pay down the students' debt sufficiently to allow the student to repay the debt from his or her own income. DRR is subject to a maximum of $10,000, or 50 per cent of the value of the outstanding principal, whichever is less.

Paul

Paul borrowed about $18,000 over the course of his three-year degree. Unfortunately, his post-graduation job search did not go well, and his career drifted for 18 months as he alternated between unemployment and short-term contracts. This made it very difficult for him to meet his repayment obligations of $235/month. However, because he applied for and received Interest Relief, he did not default on his loan. For the nine months he was unemployed as well as six months that he had very low-paying contracts, the interest relief covered the full $135 in interest charges that his loan incurred. Shortly thereafter he got his big career break, and is now able to pay off his loans in full and unaided.

Annex 2

Unmet Need

One student aid phenomenon that is growing in importance is that of "unmet need." Unmet need occurs when a student's assessed need is greater than the aid available. For instance, if a student's need is assessed at $325/week, but the combined federal/provincial maximum aid available is $275/week, then the student will still have $50/week in unmet need even after loans have been disbursed. Students in this situation will thus have fewer resources – and live in greater hardship – than their peers. This seems to have some important effects on retention. A 1997 study of CSL case-files showed that students with need beyond the CSL loan-limit were (20 per cent) more likely to drop out than students whose needs were fully met.

Despite the uniformity of CSL provision across the country, the level at which need is satisfied may vary considerably because of the wide differences in levels of provincial student assistance. The following shows the differences in maximum levels of aid available by province.

Maximum combined weekly assistance from federal and provincial programs, 1996-97
YK single student: $238 students with dependants: $278 Yukon student assistance is calculated on a per-semester basis. The figures shown here are the semester maximums divided by 17 weeks – the standard length of a semester under CSL.
BC single student: $260 students with dependants: $385
AB single student: $288 students with dependants: $465 Alberta student assistance is calculated on a per-semester basis. The figures shown here are the semester maximums divided by 17 weeks – the standard length of a semester under CSL.
SK single student: $275/385 students with dependants: $400 Saskatchewan provides a higher rate of assistance to “Special Incentive Students” – students who are a) single parents, b) persons of non-status Indian or Métis ancestry; or c) a person who has resided in the Northern Administrative District for a period of 15 years or half of his or her lifetime, whichever is less.

MB single student: $315 students with dependants: $315
ON single student: $275 students with dependants: $500
NB single student: $315 students with dependants: $315
NS single student: $315 students with dependants: $315
PE single student: $275 students with dependants: $275
NF single student: $259 students with dependants: $274

Provincial data on high-need borrowers from the 1995-96 year, showed that 18 per cent of all borrowers were borrowing $165/week from CSL and 13 per cent were borrowing $275/week or more from the federal and provincial programs combined. This does not necessarily imply that all 13 per cent have unmet need, but it is likely that a substantial number of them are at or near the limits in their respective provinces.

Percentage of students at the borrowing limit in 1995-96	
YK	
CSL ($165/wk): 76 (24%)	All ($275+/wk): n/a
BC	
CSL ($165/wk): 16,881 (32%)	All ($275+/wk): 4,011 (7%)
AB	
CSL ($165/wk): 6,963 (17%)	All ($275+/wk): 4,917 (11%)
SK	
CSL ($165/wk): 3,024 (20%)	All ($275+/wk): 3,023 (20%)
MB	
CSL ($165/wk): 1,767 (17%)	All ($275+/wk): 1,631 (16%)
ON	
CSL ($165/wk): 33,418 (16%)	All ($275+/wk): 34,239 (16%)
NB	
CSL ($165/wk): 1,585 (12%)	All ($275+/wk): 1,643 (13%)
NS	
CSL ($165/wk): 3,770 (11%)	All ($275+/wk): 3,774 (11%)
PE	
CSL ($165/wk): 225 (9%)	All ($275+/wk): 254 (11%)
NF	
CSL ($165/wk): 3,827 (24%)	All ($275+/wk): 934 (6%)
Average	
CSL ($165/wk): 71,460 (18%)	**All ($275+/wk): 54,423 (13%)**

Newfoundland, Alberta and BC show substantial differences between the number of borrowers at the CSL maximums and those at the provincial maximums. In the cases of BC and Newfoundland, this is because the aid maximum for single students was below $275/week – thus, while many students are borrowing at the CSL maximum, they cannot show up at the $275/week maximum unless they have dependants.

Borrowers at the CSL maximum displayed two important characteristics. First, they are disproportionately drawn from students with dependants. Students with dependants comprised approximately 13 per cent of all CSL borrowers in 1995-96, but a third of CSL borrowers were at the maximum. Second, they are disproportionately drawn from the private career college sector, comprising 43 per cent of borrowers at the maximum despite only accounting for 15 per cent of all CSL borrowers.

Although comparable sources of provincial data for the 1996-97 year do not exist, CSL loan files show that the number of borrowers at the CSL loan limit rose substantially, from 17 per cent of all borrowers to 27 per cent of all borrowers. This movement occurred entirely as a result of changes in the Ontario numbers; borrowers at the loan limit there doubled to just over 62,000 students, or 34 per cent of the total. Newfoundland also shows a slight increase, while most other provinces were staying stable or even showing a drop in numbers.

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